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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 002887

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TAGS: [PGOV](#) [PINS](#) [ECON](#) [ASEC](#) [RP](#)

SUBJECT: CONTINUED POLITICAL WOES FOR PRESIDENT ARROYO

REF: A. MANILA 2840

- [1](#)B. MANILA 2815
- [1](#)C. MANILA 2777
- [1](#)D. MANILA 2731
- [1](#)E. MANILA 2730
- [1](#)F. MANILA 2689

Classified By: Political Officer Timothy Cipullo for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: An anti-GMA protest march on June 24 failed to gather significant momentum, but police blocked access to downtown Manila City. As of COB, the crowds had yet to disperse entirely, however. President Arroyo delayed the retirement of Armed Forces of the Philippines Chief of Staff General Abu, expected on June 24, reportedly out of concern that the security situation might worsen. The Philippine House of Representatives began hearings into audiotapes allegedly containing presidential conversations about the May 2004 elections. Defending herself, President Arroyo attacked "destructive politics" and "backstabbing." Political jitters are adding negatively to the economic scene, with upcoming VAT and energy price increases apt to create more public dissatisfaction. The death of Cardinal Sin has provided some distraction from the woes of the President, along with the release and return to the Philippines of Filipino hostage Robert Tarongoy from Iraq. While tense and sometimes turbulent, the situation does not appear likely to worsen suddenly or dramatically in the near future, absent a new and more meaningful scandal. End Summary.

Let the marches begin

[1](#)2. (SBU) In an apparent effort to stimulate a new People Power-like movement, mainstream, opposition, leftist, and anti-PGMA groups organized a joint "National Day of Protest for Truth and Justice" on June 24, beginning with a rally in Quezon City and followed by a march by approximately 10,000 people toward neighboring Manila City. Citing the importance of planned events to commemorate the 434th anniversary of the founding of Manila, Manila Mayor Lito Atienza (a PGMA supporter who has repeatedly called for national unity to promote political stability) on June 23 had banned issuance of permits for this rally to enter his city and called on police to enforce a "no permit, no rally" order. At least 800 Philippine National Police (PNP) met the crowd at the border of the two cities in an orderly and restrained fashion. As of COB, the face-off continued, with no reports of violence or use of water cannons. Speakers continued to denounce PGMA and calling for her ouster, amid extensive media coverage. Poloffs have been on the scene to monitor.

[1](#)3. (U) "The Coalition for National Salvation" of former defense secretary and PGMA opponent Fortunato Abat postponed a rally scheduled for June 25 in deference to the death of Cardinal Sin. The group announced that it would instead hold a mass. Separately, former presidential candidate and leader of the "Jesus is Lord" movement, Brother Eddie Villanueva, is organizing an anti-PGMA prayer rally on July 1. Other groups have said they also plan public demonstrations in the days and weeks ahead.

When in doubt...

[1](#)4. (SBU) Despite the issuance of invitations for a change of command for the AFP COS on June 24, Defense Secretary Avelino Cruz announced on June 22 that the GRP had postponed the ceremony indefinitely, even though current COS Chief of Staff Gen. Effren Abu reached his mandatory retirement age of [1](#)56. Initial reports indicated that Abu might stay on at least three additional months. Mid-day on June 24, however, Malacanang announced that Lt. General Generoso Senga, currently the Commanding General of the Philippine Army, would become the next AFP COS in August.

Hearings Begin

15. (U) On June 21, a Joint Committee of the Philippine House of Representatives began hearings into audiotapes alleged to contain wiretaps of a conversation between President Arroyo and former COMELEC commissioner for Mindanao Virgilio Garcillano (reftels). The joint committee plans to continue its nationally televised hearings next week, with the possibility of additional sessions in following weeks. When called as a witness, Malacanang Spokesman Ignacio Bunye declined to confirm that it was the President's voice on the tape, which he had admitted in earlier interviews. He claimed that he had initially made public the tapes on June 6 to defend the President from "destabilization forces" who were trying to use them in a plot "to destroy" the President. Reynaldo Wycoco, the Director of the National Bureau of Investigation (NBI), told the hearing that the NBI had not yet located the original version of the audiotape, adding that the NBI continued to investigate the matter. The NBI's Samuel Ong, who had claimed in the press that he has in his possession the "mother of all tapes," failed to appear at the hearings, although he promised to attend next week, according to press reports.

16. (C) In the Senate, the minority opposition bloc headed by Senator Aquilino Pimentel demanded an immediate investigation into the controversy. Senator Rodolfo Biazon, a defense committee chairman and PGMA ally, predicted privately that Senate hearings probably would take place only after the House completed its hearings. The Senate nonetheless is continuing its hearings on allegations that members of PGMA's family received payoffs from jueting (illegal gambling) operations (ref F). Archbishop Oscar Cruz, a vocal opponent of jueting, told the media that he has additional witnesses who can incriminate members of PGMA's family.

Arroyo Hits Out

17. (U) PGMA on June 23 publicly attacked "destructive politics" and "backstabbing," calling her detractors "no better than economic saboteurs" for plotting against the government at this time of "clear danger from external factors." The President called on Filipinos to thwart any coup attempts and vowed to continue efforts "to uplift the poor" and fulfill her "agenda for reform." PGMA continued neither to confirm nor deny the authenticity of the recordings. In a media roundtable on June 20 in Hong Kong, she said: "I will make the appropriate statements on the issues at the appropriate time. But this is not the appropriate time when the air is poisoned with political heat and extensive speculation." She reaffirmed that she won the 2004 presidential election.

18. (C) According to Presidential political adviser Gabriel "Gabby" Claudio, Malacanang's position remains that the tapes were not authentic and, even if they were, there was nothing illegal on them, while admitting that PGMA's conversation with a COMELEC official could be construed as "an impropriety." He expressed doubt that PGMA would address the issue squarely in public, but he indicated that some elements in Malacanang had called for this approach. Acting Pol/C stressed that the USG supported democracy, stability, and the rule of law, and urged that Malacanang must not over-react or consider any sort of emergency rule, martial law, etc. Claudio confirmed that Malacanang was no in any way considering such steps.

Making things worse

19. (SBU) In the wake of the latest political turbulence, there has been a slight depreciation in the peso, which slipped below 55 per dollar on June 10 for the first time since mid-February and has remained below that mark ever since. The peso hit an intra-day low of 55.94 per dollar on June 21, the weakest rate since mid-January. On the downtrend for several months, domestic interest rates also have come under pressure the past two weeks. Despite excess financial market liquidity and perceptions of improved fiscal prospects, securities dealers jacked up bid rates for the GRP's treasury bills, particularly for the longer-term papers, prompting the GRP to reject most of the bids offered. The Philippine Stock Price Index (Phisix) lost 7.5% of its value within a three-day period in early June. The Phisix has since partially recovered on bargain hunting and generally favorable first-quarter corporate-profit reports. Traders noted, however, that foreign investors have become net sellers in the stock market in recent days, after fifteen consecutive sessions of net foreign purchases. Although net foreign sales have been minimal thus far, observers noted that this development reflected increasing investor jitters.

110. (U) Commentators have also begun to warn of the

possible consequences for public order and political stability of the implementation of higher Value Added Tax (VAT) rates on July 1. Rising fuel, electricity, and transport costs will likely spark new rounds of protests and possible short-term transport strikes as well.

Some good news

11. (SBU) The only welcome distractions from PGMA's political woes have been the death of esteemed Cardinal Sin -- along with the almost week-long wake and series of Masses for him, which will cumulate in a large public funeral on June 28 at the Manila Cathedral (with no procession, since he will be buried in its crypt) -- and the return to Manila on June 23 of released hostage in Iraq Robert Tarongoy. PGMA held a photo op with Tarongoy at Malacanang, where he thanked her profusely for her help and support in winning his release. GRP officials have insisted that the GRP paid no ransom, but did not otherwise explain how they won his release. The Sin and Tarongoy stories have helped push the jueteng and tape scandals mostly below the front page center front page or on inside pages of major newspapers.

Comment

12. (C) While her political woes are far from over, PGMA has weathered the latest turbulence, which appears to be dissipating. Significant pressure -- among her own advisers as well as from the opposition -- remains for Arroyo to explain the tapes and her family's ties or lack thereof to jueteng. Any new and possibly more important scandal, added to heightened tensions from greater economic pressures, could revive momentum in seeking her ouster or force her into public confessions that would further weaken the political standing of an already unpopular president.

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